



PORTUGUESE NOMINEE COMPANIES Opportunity N° 1: *Buying Off Plan*

In the past, *Off-Plan* property was often sold repeatedly with little or no reporting of profits and transfer tax (“*IMT*”) paid. Eventually, these evasive tactics came under attack and prompted the new restrictive legislation that is now in place.

The Property Reform Act that came into effect on 1 January 2004 closed many of the popular avenues of *Off-Plan* Property Investments in Portugal. The newly defined procedures were intended to close two major loopholes:

- 1) Promissory Contracts now need to be registered and reported by Notaries. This measure was intended to eliminate discrepancies between Promissory Contracts and final Deeds of Sale.
- 2) Each transmission of a Promissory Contract to a new owner is now subject to *IMT*” at the rate of 6.5% .

Using *Portuguese Nominee Companies* to hold *Off-Plan* properties can offer an attractive alternative that achieves the lion’s share of the benefits sought in the past while operating squarely within legislation. In this strategy, an investor puts the *Off-Plan* property into a *Nominee Company*. The Company owns the Property; the Investors hold the Company. Upon sale, the Company is sold with the property safely inside, sheltered from many forms of taxation.

Additional advantages of the *Nominee Company* are numerous:

No punitive taxation

Unlike Offshore Companies, there is no punitive taxation. There are no punitive Property Rates , no Deemed Income against the Company. In fact, *Nominee Companies* are tax exempt and any tax are levied directly to the Shareholders.



Reduced CGT Liability

14% CGT, plain and simple. There is a CGT rate of 14% on the sale of Company shares. This tax is flat rated, assessed independently from other income, so it will not “top-slice”, unwittingly forcing the taxpayer into a higher tax bracket.

No Property Transfer Tax for Buyers

There is no “IMT” (Municipal Transfer Tax) on the sale of the shares as long as a single shareholder does not have absolute control of the Company (exceeding a 75% concentration of ownership).

Ease on Entry

When transacted through **euroFINESCO**, buying a property via a *Portuguese Nominee Company* should cost no more than the direct purchase of the property. We can perform both Company formation and the Property transfer simultaneously.

Reduced Closing Costs

Buyers also enjoy reduced closing costs, avoiding the 0.8% Stamp Duty on property transfers. For example, in a recent *Nominee Company* sale openly reported at €1,700,000, the total tax bill came to only €25 for incidental expenses on the deed, saving the buyer “IMT” and Deed Stamp Duty that normally would have cost more than €136,000.

Low Operating Costs

The annual operating costs are modest for *Portuguese Nominee Companies*: just €700+VAT. This annual fee includes all basic compliance requirements and offers a support structure for non-Portuguese speaking investors to guide them through the maze of bureaucracy.



Capital Improvements Don't Expire

Under normal Capital Gains Tax calculations, only improvements done in the 12 years prior to sale are eligible to be considered as deductible expenses. In other words, after this period, these improvements “expire”. However, injections of capital into your company never lose validity and add value to the Company at the point of sale.

a Fully Compliant Solution

Last but not least, this is a fully compliant solution. The *Nominee Company* structure has been in Portuguese legislation since the nineteenth century and has survived countless reforms over the past 150 years. While no one has a crystal ball to look into the future, this basic structure under Portuguese Law has undoubtedly stood the test of time. Although this type of company had fallen into disuse until recently, its revival is thanks to the “win-win” solution that it offers to both buyers and sellers, squarely within legislation.

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29 March 2018